

Amendment No. 1 to SB3626**Jackson
Signature of Sponsor****AMEND Senate Bill No. 3626*****House Bill No. 3611**

by deleting all of the language after the enacting clause and by substituting instead the following:

SECTION 1. This act shall be known and may be cited as the "Food Tax – Cigarette Tax Swap Act of 2006".

SECTION 2. Tennessee Code Annotated, 67-6-228(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "three percent (3%)".

SECTION 3. Tennessee Code Annotated, Section 67-6-228(a), is further amended by adding the following language to the end thereto:

The commissioner of revenue shall develop and implement a formula to hold counties and municipalities harmless from actual or potential net loss of revenue resulting from the reduction of sales taxes imposed on food. No county or municipality shall receive from state sales tax revenues in fiscal year 2006-2007 and in subsequent fiscal years a lesser amount of state sales tax revenues than it would have received prior to the reduction in the sales taxes imposed on food, adjusted for any changes in state sales tax revenues from the current fiscal year.

SECTION 4. Tennessee Code Annotated, 67-4-1004(a), is amended by deleting the language "ten (10) mills on each cigarette" and by substituting instead the following language: "three and fifteen hundredths cents (3.15¢) on each cigarette" and by adding the following sentence at the end of the subsection:

On July 1 of each fiscal year, beginning with fiscal year 2007-2008 and continuing until fiscal year 2016-2017, the tax rate on cigarettes shall be increased by five hundredths of a cent (0.05¢) on each cigarette or the amount as determined under Section 5 of this act, whichever is greater. The increase on the tax rate on cigarettes shall be

implemented to ensure that this act is, to the greatest extent practicable, revenue neutral considering declining cigarette use and other such factors.

SECTION 5. It is the legislative intent of this act that the fiscal impact of this bill be as revenue-neutral as practicable in the immediate and long-term. Beginning July 1, 2007, the commissioner of revenue shall review the fiscal impact of this act to ensure it continues to be revenue neutral, taking into consideration changing cigarette purchases in this state and growth of the state population. The commissioner of revenue shall report to the general assembly by January 1 of each year, beginning in 2008 and continuing through 2016, regarding any adjustment to the annual increase of five hundredths of a cent (0.05¢) on each cigarette outlined in Section 4 that should be implemented in order to maintain an equivalent amount of revenues if the sales tax on food had not been reduced pursuant to this act. Unless the general assembly recommends otherwise, beginning in fiscal year 2007-2008, the cigarette tax shall be increased by five hundredths of a cent (0.05¢) on each cigarette as outlined in Section 4.

SECTION 6. This act shall take effect July 1, 2006, the public welfare requiring it.